

20U543

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Name:

Reg. No:

FIFTH SEMESTER B.Com. DEGREE EXAMINATION, NOVEMBER 2022

(CBCSS - UG)

(Regular/Supplementary/Improvement)

CC19U BCM5 B11 - FINANCIAL MANAGEMENT

(Commerce - Core Course)

(2019 Admission onwards)

Time: 2.5 Hours

Maximum: 80 Marks

Credit: 4

Part A (Short answer questions)

Answer *all* questions. Each question carries 2 marks.

1. What is financial management?
2. What is Profit Maximization?
3. What are the forms of Capital Structure?
4. What is optimum capital structure?
5. What is financial leverage?
6. State the features of cost of capital.
7. What are the classification of Cost of Preference Share?
8. A project cost Rs. 20,00,000 and yield annually a profit of Rs. 3,00,000 after depreciation @ 12 ½ % but before tax at 50%. Calculate payback period.
9. What is the Concept of working capital?
10. What is operating cycle?
11. What is Aging Schedule of Inventory?
12. Define Cash Cycle.
13. What is Inventory Turnover Ratio?
14. What is stock dividend?
15. Distinguish between Stock dividend and Stock split.

(Ceiling: 25 Marks)

Part B (Paragraph questions)

Answer *all* questions. Each question carries 5 marks.

16. You need Rs.10,000 for buying a mobile next year. You can earn 10% on your money. How much do you need to invest today?
17. A company issues Rs.10,00,000, 10 % redeemable debentures at a discount of 5 %. The cost of floatation amount to Rs.30,000. the debentures are redeemable after 5 years. Calculate before tax and after tax cost of debt assuming a tax rate of 50 %.

(1)

Turn Over

18. What are the steps involved in calculating a firm's WACC?
19. Compute NPV of a project with net investment of Rs. 1,00,000. If the company's cost of capital is 10% net cash flows for year 1- Rs.55,000, year 2-Rs. 80,000. Year 3- Rs. 1,50,000.
20. X ltd has budgeted its sales to be Rs 700000 per annum. Its cost as a percentage are as follows.
- | | |
|---------------|-----|
| Raw materials | 20% |
| Direct Wages | 35% |
| Overheads | 15% |
- Raw material are carried in stock for two weeks and finished goods are held in stock before sale for 3 weeks,
 X Ltd takes four weeks credit from suppliers and eight week credit to its customers.
 Factory processing will take 4 weeks
 If both overhead and production are incurred evenly throughout the year, what is X Ltd total working capital requirements?
21. Explain the Importance or Advantages of Adequate Working Capital?
22. Explain Walter's Model of Devidend?
23. The EPS of the company is Rs. 15. The market rate of discount applicable to the company is 12%. The dividends are expected to grow at 10% annually. The company retains 70% of its earnings. Calculate the market value of the share using Gordon's model.

(Ceiling: 35 Marks)

Part C (Essay questions)

Answer any *two* questions. Each question carries 10 marks.

24. "The objective of financial management is wealth maximisation and not profit maximisation."
 - Comment.
25. Following information given below of ABC Ltd.
- | | | |
|-----------------------|---|-------------|
| BIT | = | RS. 10 lakh |
| Preference Dividend | = | Rs.40,000 |
| Operating Fixed Costs | = | Rs. 20 lakh |
| EBT | = | Rs.2 lakh |
| Tax Rate | = | 50% |
- Calculate the degree of operating, financing and combined leverage. By what percentage the operating profits would increase if the sales increase by 10%.

26. From the following information calculate the Internal Rate of Return?

Year	Cash inflows
0	-384000
1	150000
2	125000
3	100000
4	75000
5	50000

27. X ltd have 30,000 equity shares, currently the shares of the company is being traded at a price of Rs. 90 per share. It is expected that the firm would pay a dividend of Rs. 3 per share next year. The firm has a project requiring new investments of Rs. 5,00,000. The shareholders expected rate of return is 8% and the firm expects to have net profit of Rs. 2, 00, 000 at the end of the year. Show using MM approach that the payment of dividend has no effect on the market value of the firm.

(2 × 10 = 20 Marks)
